A COMPARATIVE STUDY OF CAPITAL MARKET OPERATIONS IN INDIA & TANZANIA

Dr.Vasanthi Reena Williams
HOD, Vidya Vikas Post Graduate Department of Commerce
Bannur Road, Mysuru.
Karnataka State, India
&
Mr. Kamis Ali
Student of M.Com
Vidya Vikas Post Graduate Department of Commerce
HOD, Vidya Vikas Post Graduate Department of Commerce
Bannur Road, Mysuru.
Karnataka State, India

rina.sony@gmail.com

Abstract: *Capital Markets help regulate and promote the capital market and securities sector. These agencies are formed under the Ministries of Finance in the respective counties. This study tries to compare the trends and activities in two countries, namely, the Securities Exchange Board of India (SEBI) India and the Capital Markets and Securities Authority, Tanzania (CMSA). The main objective of the study was to capture the trends, similarities and patterns in the activities and movements of the Indian and Tanzanian stock markets. The aim was to help the investors (current and potential) understand the impact of important happenings on the Indian and Tanzanian Stock exchanges. The study was undertaken between January and April 2017 and has taken available statistics from FYs 2013-2016 (3 years) to arrive at the conclusion. This study is especially relevant in the current scenario where financial markets across the globe are getting integrated into one big market impacting the securities sector and investors as a whole.*

Keywords: *Capital Market, Stock Market Regulators, Securities Exchange Board of India (SEBI), Capital Markets and Securities Authority (CMSA)*

1. INTRODUCTION

As a component of the financial system, Capital markets are very important as they provide the much required long-term financing required for funding real sector expansion, infrastructure development and overall economic growth. Indeed strong capital markets are essential for economic growth and development as they deal with substantial resource mobilization over long time horizons. This helps to diffuse stresses on the banking system by matching long-term investments with long-term capital, which the banking industry is not equipped to do.

This study attempts to highlight how the two capital markets of two countries, namely India and Tanzania operate by studying the applicable rules, their functions and powers in the respective countries. The study also aims at assisting those people who wish to invest their money in capital market instruments whether in India or Tanzania and further, to know the current capital market situations in these two countries.

The study was carried out taking into consideration functions of two capital markets during the FY 2013 to 2016 namely, the Security Exchange Board of India (SEBI) and the Capital Markets and Securities Authority, Tanzania (CMSA) which have different level of development in terms of management structure, number of stock exchange, market capitalization etc. The content, scope concentrated on the reviewing of rules and regulations, powers and functions of the SEBI and CMSA on service delivery in order to make sure that they meet capital market objectives.

2. LITERATURE REVIEW

Highlighted herewith are a few related studies on the Indian & Tanzanian Capital Markets. Richa Gupta[1](2014) highlights the dependency of capital finance through banks. The study also mentions that a lot needs to be done in the case of bond market development, initiations of reforms, removal of bottlenecks and changes in policies to ensure that India becomes competitive and stands out as the best bond market. Mohanamani, P & Dr. Sivagnanasithi T[2] (2013), through their study argue that with the economic outlook improving worldwide, global majors are investing in India, which is ranked the most attractive country for retail investment for emerging markets. According to them, the policy makers should provide the FIIs with more opportunities and reasons to invest in Indian markets by suggesting and implementing prudential norms.

Romero Torres, Stephen Wells, & Selwyn-Khan,Susan[3] (2013) comment that the globalization of capital markets has encouraged moves toward regional harmonization and integration. The proposals address some of these barriers and include measures to promote awareness, stimulate innovation, raise regulatory standards, and champion the value of integration. Nupur Gupta & Dr. Vijay Agarwal[4] (2011) are of the view that, the Indian markets offer diversification benefits to international investors looking for investment in the Asia Pacific region. Indian markets also delivered the highest compounded annual growth rate in stock market returns, both in the short as well as long run. Also Indian markets showed features of platykurtic distribution, and the volatility of its weekly returns were similar to it other Asian counterparts. According to Prashant Joshi[5] (2011) the efficiency of Indian stock market is fairly important amidst the various regulatory measures and initiatives taken by SEBI and NSE respectively. The study further showed that the NSE nifty appears to be efficient at information processing about the regulatory measures initiated by SEBI in recent times. Also the stock returns are statistically significant before the regulatory measures of SEBI suggesting that information are impounded into stock prices while returns are not statistically different from zero after the measures. This indicates stock markets during recent times has become fairly faster in processing information due to modernization and development. According to Gunjan Malhotra[6] (2015) the establishment of screen based trading; shorter settlement periods, dematerialization and derivatives have been other major developments.

According to Bwigane Hessron Mwakalobo[7] (2013 commented that the well-functioning of stock market as part of financial system in a developing country like Tanzania has a role to play in contributing to economic growth of the country, particularly in mobilizing savings from surplus spenders and channel them to productive sectors.

---

[1] Source: Gupta,Richa (2014), *Indian Capital Market: an overview*, International Journal of Emerging Research in Management and Technology. Vol 3. ISSN 2278 9359. Retrieved from www.ermt.net

[2]Source: P, Mohanamani. &Dr. T, Sivagnanasithi (2013). *The Impact Of Foreign Institutional Investors In The Capital Market.* Journal of Contemporary Research in Management. Retrieved from www.psgim.ac.in.

[3] Source: Torres, Romero. Wells, Stephen & Susan, Selwyn-Khan (2013), *Development of Capital Markets in member countries of the South Asian Association for Regional Cooperation*. Mandaluyong City, Philippines: Asian Development Bank Journal ISBN 978-92-9254-278-8 (Print)

[4]Source: Gupta, Nupur & Dr. Agarwal, Vijay (2011), *Comparative study of distribution of Indian stock Market with other Asian markets***,** International Journal of Enterprise Computing and Business, ISSN (Online): 2230—8849 Vol. 1 Issue 2. Retrieved from : www.ijecbs.com.

[5]Source: Joshi, Prashant (2011), *Market Integration and Efficiency of Indian Stock Markets,* A Study of National stock exchange research paper .Retrieved from www.researchgate.net

[6]Source: Malhotra, Gunjan (2015) *Indian Capital Market: Growth, Challenges and Future.* Annual Conference January. Retrieved from wwwninternationalconference.in

[7] Source: Mwakalobo, Bwigane Hessron (2013). *The impact of financial sector in the economic growth of Tanzania*. KDI school of public policy and management. Retrieved from www.archives.kdischool.ac.kr.

Francoise Marie-Nelly & Abayomi, A. Alawode[8] (2002) in their study on Capital Market in the East African countries, mention that capital markets in the region including Tanzania region have not been able to provide effective support for the private sector because they are small, underdeveloped and have limited activity. Although there are ongoing efforts in individual countries to alter this situation and expand capital markets, all the EAC countries including Tanzania have recognized the limitations of a country-focused approach and have placed substantial emphasis on the pursuit of a regional approach It is expected that a regional market will ensure that capital markets fulfill their potential in providing long-term finance to support private sector activities in the EAC. Further, Mombo Gillian Felician[9] (2014) noted that investors in DSE face liquidity challenges during diversifying their securities; technology has increased in time, cost and information efficiency in DSE. Moreover, investors in DSE are confident and rely on the market for their investments. On transparency in DSE, most investors agreed that transparency is mainly on information rather than price. On the other hand, on best adopted measures used to promote efficiency, majority of respondents agreed that demutualization will improve on efficiency and governance structure. Moreover majority of respondents agreed technology improvement will also increase in efficiency. However majority of respondents disagreed that financial market liberalization will promote efficiency in DSE. Similarly, Sam Ziorklui [10](2011), in his study on Capital Market in Sub-Saharan Africa observed that regional integration and globalization of the Tanzania capital market would be beneficial in terms of attracting foreign capital, efficiency of utilization of capital and corporate governance. Foreign participation would also encourage domestic participation in the capital markets. The share price movement has been an effective way of demanding accountability from listed companies. The price movement at the DSE has also shown how the operations of a free market mechanism leads to efficient pricing of financial assets in the stock market. Even though the policy changes in Tanzania had a positive impact on capital market development, there are many challenges and problems that remain to be addressed in order to promote a functioning capital market in Tanzania. Oliver Wyman[11] (2016) in her study said that the development of capital markets across the world's fastest-growing emerging economies has progressed significantly over the past few decades. Nonetheless, emerging markets still have significant room to develop their capital markets further, as they look to achieve sustained economic growth and attract more investment. Given the potential complexity of capital market development, policies must be put into place and only then will the capital markets flourish. According to the study, markets in any two countries will never be exactly the same; the capital markets development process will look different in each economy.

2.1. Statement of the Problem: Globalization has given rise to increased business activities all over the world. Boundaries are broken and the world is becoming a smaller place in terms of business activities. Investment in businesses across the globe either as an individual investor or institutional investor requires a sound knowledge in financial transactions and financial statements. The different accounting standards being followed by each country is making it confusing and also frustrating for many investors, as they are not aware of the

---

[8] Source: Marie-Nelly, Francoise, & Alawode, Abayomi A. (2002),*Capital Market Integration in the East African Community*, World Bank, Africa Region, Financial Sector Division, December 2002.

[9]Source: Gillian Felician, Mombo (2014), *Efficiency of Capital Market*, a case study on Dar-as-salaam Stock exchange and the impact it has on investors. Retrieved from www.usiu.ac.ke.

[10] Source: Ziorklu, Sam (2011), Capital *Market Development and Growth in Sub-Saharan Africa,* the case of Tanzania, African Economic Policy, Discussion Paper Number 79, February 2011.

[20] Wyman, Oliver (2016), *Accelerating Capital Markets Development in Emerging Economies*. White paper: World Economic Forum. Retrieved from : www.weforum.

accounting standards followed by the country where they plan to invest , thereby creating higher probability of fraudulent transactions and market manipulations taking place.
Further it is well known that capital markets are highly volatile and therefore risk is also proportionately high. Hence there is a great responsibility on the Market regulatory authorities to ensure transparency in transactions through properly implemented rules and regulations thereby making it safe for investors from within the country and outside. This study therefore tries to analyze the capital market regulations in both the countries namely; India and Tanzania taking into consideration three FYs (2013-2016) and identify the similarities and highlight the best features of the regulators in both the countries which have been identified for the study.

2.2 Significance of the Study:

Capital markets serve two general purposes, namely to facilitate capital formation for businesses and secondly, to provide a means of profitable utilization of assets for investors. The most efficient markets do this by providing effective price discovery and low-cost liquidity. Capital Markets also serve as important leading indicators of economic trends and as a source of diversity of investment. Strong and vibrant capital markets are therefore essential for economic growth and development. Capital Markets however need to be effectively regulated, to ensure protection of investors and issuers of capital market instruments. Regulation of capital markets helps to ensure that markets are fair, open, efficient, transparent, orderly, and competitive. Achieving effective capital market regulation requires that the structure of the regulatory system be appropriate to the market and political context of the regulator, as well as to the types of securities, types of trading, clearance and settlement systems, and types of investors in the regulated markets. Regulators are required to regulate the markets in such a manner that they encourage and facilitate growth and diversity of the markets. Wide varieties of regulatory structures exist worldwide and the objective of this study will be to determine whether the regulatory regime in India and Tanzania is appropriate for the current state of the markets and more importantly for the future aspirations of the market.

In addition, we observe more and more investors investing in the capital market but are lacking in knowledge of the markets which in fact increases their risk in investing. There is therefore a great onus on the market regulators to enhance enforcement of rules and regulations and increase investor education programs. This study attempts to compare the two capital markets which are from different geopolitical- socio-economic areas to see their operation for the purpose of protecting and promoting development of the capital markets, performance and development of those markets and hence the need for the study.

3. **OBJECTIVE OF THE STUDY**

The following are the objectives of this study:

1. To study Institutional and regulatory mechanisms that regulates Capital Markets in both the countries.
2. To assess the performance and development of capital markets in India and Tanzania.
3. To identify the kind of securities traded in both markets.
4. To measure the foreign direct investment and number of foreign and domestic companies.

3.1. Scope of the Study: The study was carried out by identifying two capital markets, namely SEBI (India) and CMSA (Tanzania), keeping in view the different level of development in terms of management structure, number of stock exchange, market capitalization etc. The content scope concentrated on reviewing of rules and regulations, powers and functions of SEBI and CMSA on service delivery, in order to make sure that they meet capital market objectives.

3.2. Methodology: The study covers two capital securities market operations of two countries, namely; India and Tanzania. The topics covered in this study range from the efficacy of regulatory framework to meet capital markets objectives, development and performance of the capital market. This study attempts to explore the issues of legislation for the regulation of capital markets, the regulatory infrastructure in the countries. Since the study focuses on the rules and regulations that have been instituted in these two countries, the information was collected from the official gazette and respective websites from the two countries. The information required for the study was also collected from available literature from Journals, Newspapers and Thesis study on the subject, and hence this study is basically secondary in nature.

3.3. Limitations: A period of four months was insufficient to satisfy the objective of the study in a brief and general manner and hence the major limitation faced was time constraints.

3.4. Data Analysis and Interpretations: Since this study is based on secondary data, the analysis and interpretations have been made taking into consideration the facts and figures presented in the respective websites and related literature available on the subject. Based on the review of literature and other related study, the following analysis and interpretations have been derived for justifying the attainment of objective of this study.

Objective-1: ***To study Institutional and regulatory mechanisms that regulates Capital Markets in both the countries***

Table-1: Showing regulatory boards and their legal basis

Country	Legal Basis	Independent Regulatory Board	Functions
INDIA	The Companies Act -1956 & Securities and Exchange Board of India Act, 1992	Securities and Exchange Board of India - SEBI	▪ To regulate the business in stock exchanges and any other securities markets. ▪ To register and regulate the working of stock brokers, sub-brokers, share transfer agents, bankers to an issue, trustees of trust deeds, registrars to an issue, merchant bankers, underwriters, portfolio managers, investment advisers and such other intermediaries who may be associated with securities markets in any manner. ▪ To register and regulate the working of the depositories, participants, custodians of securities, foreign institutional investors, credit rating agencies and such other intermediaries as the Board may, by notification, specify in this behalf. ▪ To registering and regulating the working of venture capital funds

			and collective investment schemes, including mutual funds. ▪ To promote and regulate self-regulatory organizations. ▪ To promote investors' education and training of intermediaries of securities markets. ▪ To prohibit insider trading in securities. ▪ To regulate substantial acquisition of shares and take-over of companies in the securities market. ▪ To call for information from, undertaking inspection, conducting inquiries and audits of the stock exchanges, mutual funds, and other persons associated with the securities market intermediaries and self- regulatory organizations information and record from any bank. ▪ Any other authority or board or corporation established or constituted by or under any Central, State or Provincial Act in respect of any transaction in securities which is under investigation or inquiry by the Board. ▪ To perform such functions and exercising such powers under the provisions of the Securities Contracts (Regulation) Act, 1956 as may be delegated to it by the Central Government. ▪ To levy fees or other charges for carrying out the purposes of this section. ▪ To conduct research for the above purposes
TANZANIA	Capital Markets and	Capital Markets and Securities - CMS	▪ To advise the Minister on all matters relating to the securities industry. ▪ To maintain surveillance over securities to ensure orderly, fair and equitable dealings in securities. ▪ To register, licence, authorise or regulate, any regulations made

	Securities Act, 1994		there under, stock exchanges, investment advisers, securities dealers, and their agents and to control and supervise their activities with a view to maintain in proper standards of conduct and professionalism in the securities business. ▪ To formulate principles for the guidance of the industry; ▪ To determine the minimum capital requirement for a licence holder, depending on the size of operations and risk. ▪ To monitor the solvency of licence holders and take measures to protect the interest of customers where the solvency of any such licence holder is in doubt. ▪ To protect the integrity of the securities market against any abuses arising from the practice of insider trading. ▪ To adopt measures to minimise and supervise any conflict of interest that may arise for dealers. ▪ To review, approve and regulate takeovers, mergers, acquisitions and all forms of business combinations in accordance with any existing rules of practice authorising or requiring the security to do so. ▪ To create the necessary environment for the orderly growth and development of the capital market. ▪ To undertake such other activities as are necessary or expedient for giving full effect to the provisions of the capital and security market Act.

Source: Websites of SEBI and CMSA

Interpretation: The two capital markets which play a major role in the mobilization of domestic and foreign capital operate under a suitable and respected and legal and regulatory framework. A lot of effort has been put into harmonizing the legal and regulatory framework in both the countries. Under the respective Boards, various regulations that cover the following areas have been designed to protect the investor and ensure disclosure of information. This ensures efficient, stable and transparent operations in the capital markets.

Table-2: showing the areas covered by the regulatory authorities in both the countries.

INDIA **The Securities Exchange Board of India Act, 1992, in short called SEBI, governs the Securities Market in India. The Act prescribes regulations for the following activities in India:**	TANZANIA **The Capital Markets and Securities Act, 1994, also called CMSA, governs the securities market in Tanzania. The Act prescribes regulations for the following in Tanzania:**
✓ Establishment and incorporation of Board ✓ Transfer of assets, liabilities, etc., of existing Securities and Exchange Board to the Board ✓ Powers and functions of the Board ✓ Registration of stock brokers, sub-brokers, share transfer agents, etc. ✓ Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control ✓ Finance, accounts and audit ✓ Penalties and adjudication ✓ Establishment, jurisdiction, authority and procedure of appellate tribunal	✓ Establishment of stock exchange and its monitoring; ✓ Granting dealers and investment advisers license; ✓ Conduct of securities business; ✓ Establishment of Fidelity Funds; ✓ Securities trading; ✓ Advertisements in respect of securities; ✓ Establishment and operation of Collective Investment Scheme ✓ Capitalization and Rights Issue by an existing listed company; and Issue of corporate bonds and commercial papers.

Source: SEBI & CMSA

Interpretation: With respect to the functional characteristics of the regulatory bodies in India and Tanzania, we observe through the study that both are almost similar. The main objective of the Boards is in bringing about transparency in capital market transactions and protecting interest of investors in addition to enforcing shareholders rights, systems for accounting and auditing, listing rules and ensuring a well-regulated capital market system, preventing insider trading, which are among the factors that discipline corporations. Similarly, both the boards have included corporate governance guidelines to ensure that all companies coming within the ambit of law need to be listed in the respective stock exchange.

In India, Clause 49 of the Equity Listing Agreement clearly lists mandatory and non-mandatory provisions which are absolutely essential for corporate governance. Similarly, Section 10(d) of the CMSA, 1994, Tanzania issues guidelines to be observed by public listed companies in order to enhance corporate governance practice by such companies.

Table-3: Showing composition of members of the regulatory boards

INDIA	TANZANIA
▪ A Chairman ▪ Two members from amongst the officials of the [Ministry] of the Central Government dealing with Finance [and administration of the Companies Act, 1956(1 of 1956)] ▪ One member from amongst the officials of [the Reserve Bank]	▪ Chairman to be appointed by the President on the recommendation of the Minister. ▪ Four other members who have experience and expertise in either legal, financial, business or administrative matters to be appointed by the Minister.

▪ Five other members of whom at least three shall be the whole-time Members to be appointed by the central Government.	▪ The Principal Secretary to the Treasury or an officer of the Treasury nominated by him in writing for that purpose. ▪ The Governor of the Bank of Tanzania or an officer of the Bank of Tanzania nominated by him in writing for that purpose. ▪ The Registrar of Companies or an officer in the office of the Registrar of Companies nominated by him in writing for that purpose. ▪ The Attorney General or an officer in the office of the Attorney General nominated by him in writing for that purpose. ▪ The Chief Executive of the Authority.

Source: Website of SEBI & CMSA

Interpretation: The study shows that in spite of the fact that Tanzanian Capital Market is smaller when compared to the Indian Capital Market; the composition of the Board is bigger. The Chairman of the Indian Board is appointed by the Central Government and one member by the Reserve Bank of India. However, in addition to the Chairman, CMSA includes four other members who have experience and expertise in either legal, financial, business or administrative matters who are appointed by the Minister, Principal Secretary to the Treasury or an officer of the Treasury, the Registrar of companies or an officer in the office of the Registrar of companies, the Attorney General or an officer in the office of the Attorney General and the Chief executive of the Authority.

Table-4: Showing the powers vested on the board

SEBI	**CMSA**
The powers of the SEBI are: ▪ Power of Civil Court ▪ Powers to suspend and restrain ▪ Powers to regulate or prohibit issue of prospectus, offer document or advertisement soliciting money for issue of securities. ▪ Power to investigate ▪ Power to issue directions. ▪ Power to issue Cease and desists proceeding. ▪ Regulation of Intermediaries ▪ Powers to Prohibit the Manipulative and Deceptive Devices, Insider Trading and Substantial Acquisition of Securities or Control. ▪ Powers to impose penalties and Adjudication	The powers of CMSA are: ▪ Power of the Authority to require production of books by a stock exchange and certain persons. ▪ To take action on production of the books when books are not produced. ▪ Power to impose penalties. ▪ Powers of taking Copies of extracts of books to be admitted in evidence. ▪ Powers of protection of privileged communication with advocate ▪ Powers to disclosure to the Authority ▪ Powers of investigation of certain matters.

Source: SEBI & DSE Reports

Interpretation: The study shows that Securities Exchange Board of India (SEBI) has been vested with more powers when compared to the Tanzanian Capital Market and Securities Authority (CMSA). Though there are some common powers in both authorities such as powers to investigate certain matters concerning imposition of penalties, issue directions and regulate intermediaries, however, other powers are different between the boards.

The respective Civil Court has the power to prohibit the manipulative and deceptive devices, insider trading and substantial acquisition of securities or control can be found in SEBI as well as CMSA. To be more specific the study requires an in-depth study for which a short duration cannot do justice.

Table-5: Showing registered stock exchanges functioning in India and Tanzania

INDIA		**TANZANIA**	
Recognized Stock Exchanges in India	**Region**	**Recognized Stock Exchanges in Tanzania**	**Region**
UP Stock Exchange	Kanpur	Dar e Salaam Stock Exchange (DSE)	Dar- e-salaam
Vadodara Stock Exchange	Vadodara.		
Coimbatore Stock Exchange	Coimbatore		
Meerut Stock Exchange	Meerut		
Mumbai Stock Exchange	Mumbai		
Over the counter exchange of India	Mumbai		
National Stock Exchange	Mumbai.		
Ahmadabad Stock Exchange	Ahmadabad		
Bangalore Stock Exchange	Bangalore		
Bhubaneswar Stock Exchange	Bhubaneswar		
Calcutta Stock Exchange	Kolkata.		
Cochin Stock Exchange	Cochin.		
Delhi Stock Exchange	Delhi		
Guwahati Stock Exchange	Guwahati		
Hyderabad Stock Exchange	Hyderabad.		
Jaipur Stock Exchange	Jaipur.		
Canada Stock Exchange	Mangalore.		
Ludhiana Stock Exchange	Ludhiana		
Chennai Stock Exchange	Chennai		
M.P Stock Exchange	Indore.		
Magadha Stock Exchange	Patna.		
Pune Stock Exchange	Pune.		
Capital Stock Exchange	Kerala.		

Source: SEBI & DSE Reports.

Interpretation: The study reveals that there is only one recognized stock exchange in Tanzania with 26 companies listed with the Exchange Board. (Information collected through the process of this study reveals that two more additional Stock Exchanges will shortly be included in Tanzania.). The study shows that in India, there are about 23 recognized stock exchanges with more than 5000 companies listed with the Board (as on 2017 and available data on the internet).

The increase in number of stock exchanges present in India depicts a prospective growth economy.

Table-6: Showing number of listed companies in India and Tanzania.

YEAR	INDIA		TANZANIA
	BSE	**NSE**	**DSE**
2013-14	5,336	1,688	16
2014-15	5,624	1,733	16
2015-16	5,911	1,808	26

Source: SEBI & DSE Reports

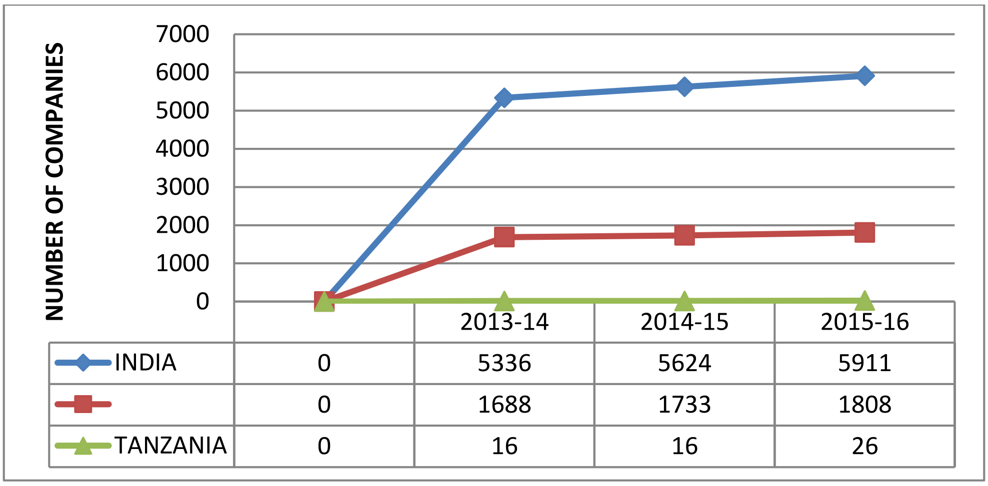

Figure-1: showing number of listed companies in India and Tanzania
Source: SEBI & DSE Reports

Interpretation: Companies register their securities in stock exchanges for ensuring transparency in the trade dealings through recognized stock exchanges. Companies include Private or Public Limited Company and financial institutions as well. The figures mentioned in Table-6 as collected from the respective websites for the last three FY, reveals that the numbers of listed companies in Indian stock market have increased from7, 024 in 2013-14 to 7,357 in FY 2014-15 and the present numbers depict 7,719 listed companies under SEBI.

In Tanzania as well the study reveals that the numbers of listed companies have increased from 16 companies in the FY 2013-14 and 2014-15 to 26 companies in FY 2015-16. Based on the available data, we can conclude that the number of listed companies in India for the past two years has been increasing at an average of 4.8%, while in Tanzania the number of listed companies increased by 63% between FYs 2014-15 and 2015-16. This increase in number of companies listing themselves with the CMSA in Tanzania can be attributed to the efforts made by the Tanzanian Government in bringing about transparency in the stock market dealing and enhancing the trust among the public thereby ensuring public participation in corporate affairs. This effort in turn has also helped in simultaneously increasing public investments through subscriptions for shares in companies that have been listed in DSE Tanzania.

OBJECTIVE- 2: *To assess, performance and development of capital markets in India and Tanzania.*

Table-7: Showing equity turnover at BSE & NSE

	INDIA	
	BSE (in crore)	**NSE(in crore)**
2013-14	5,21,664	28,08,488
2014-15	8,54,845	43,29,655
2015-16	7,40,089	42,36,983

Source: Annual Report of BSE & NSE.

NOTE: In India, amount is depicted and transacted in Lakh / Crore, whereas in Tanzania amount is transacted in Millions / Billions. Therefore the turnover of business mentioned for BSE/ NSE is shown separately in Table-7 and DSE in Billions (in Table-8) is shown separately.

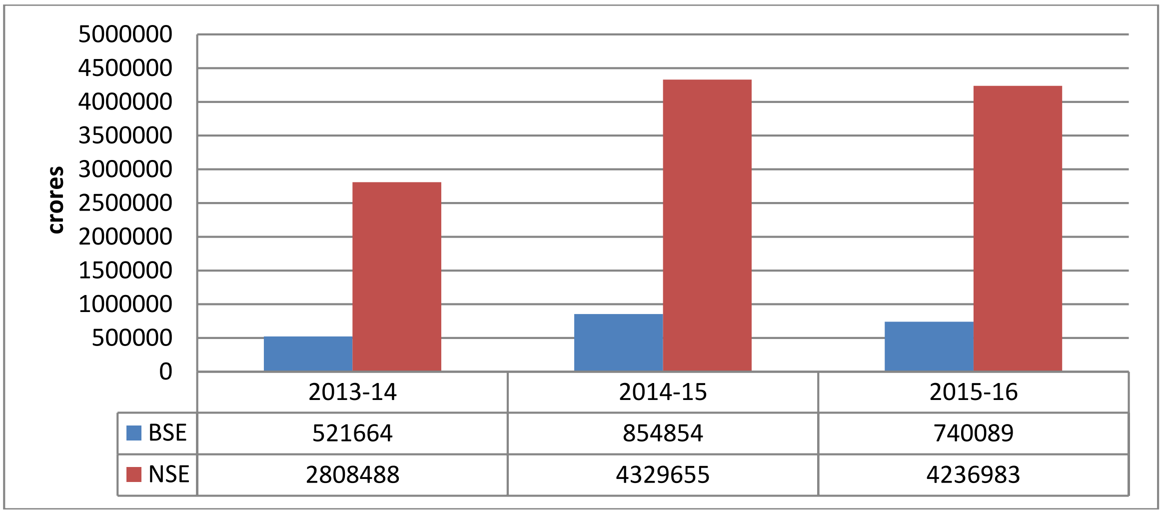

Figure-2: showing equity turnover at NSE& BSE

Source: Survey Data

Interpretation: In India, as we observe from Chart-1, the turnover of the BSE and NSE which showed a volatile trend. Business turnover has decreased by 4.0 per cent to Rs.49,77,248 crore in FY 2015-16 from Rs.51,84,500 crore in FY 2014-15. BSE and NSE together contributed 100 per cent to the cash market turnover, of which NSE accounted for 85.1 per cent of the total turnover whereas the BSE accounted for 14.9 per cent of the total turnover. At BSE and NSE, the turnover decreased by 13.4 and 2.1 per cent respectively in 2015-16 over the previous FY.

Table-8: Showing equity turnover at DSE

	TANANIA DSE(in billions)
2013-14	272.38
2014-15	880.25
2015-16	726.09

Source: Annual report of MSEI.

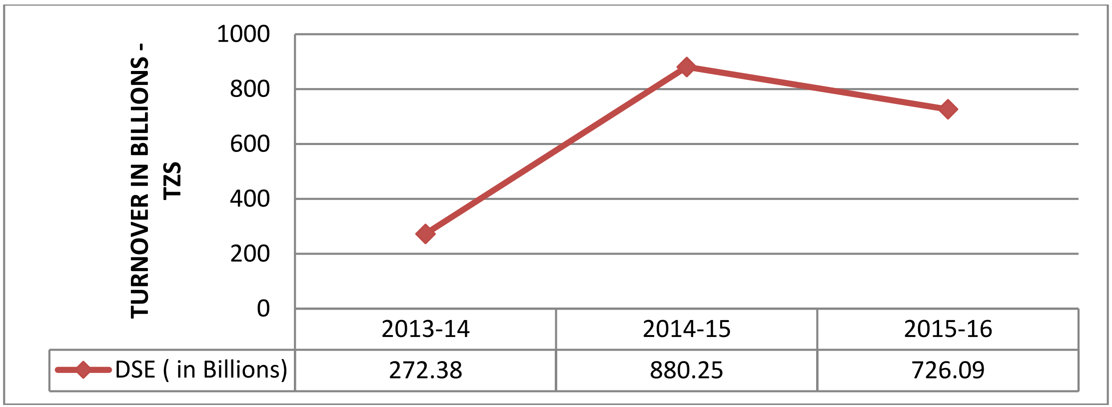

Figure-3: Showing the business turnover in Tanzania DSE (In Tanzanian shilling (TZS) Billions)
Source: Survey Data

Interpretation: In Tanzania, during the FY ended 30th June 2016, the Dar-e-Salaam Stock Exchange (DSE) posted a market turnover of over TZS 726.09 billion, down by 18% from TZS 880.25 billion registered in the previous FY. In the FY 2015-16, turnover in both countries decreased. In India by 13% (BSE) and 2% (NSE) respectively while in Tanzania by 18%. The decrease in turnover is attributed largely due to economic slowdown in the respective countries.

Table 9: Showing market capitalizations in India

YEAR	INDIA	
	BSE(in crore)	NSE(in core)
2013-14	74,15,296	72,77,720
2014-15	1,01,49,290	99,30,122
2015-16	94,75,328	93,10,471

Source: SEBI and CMSA report

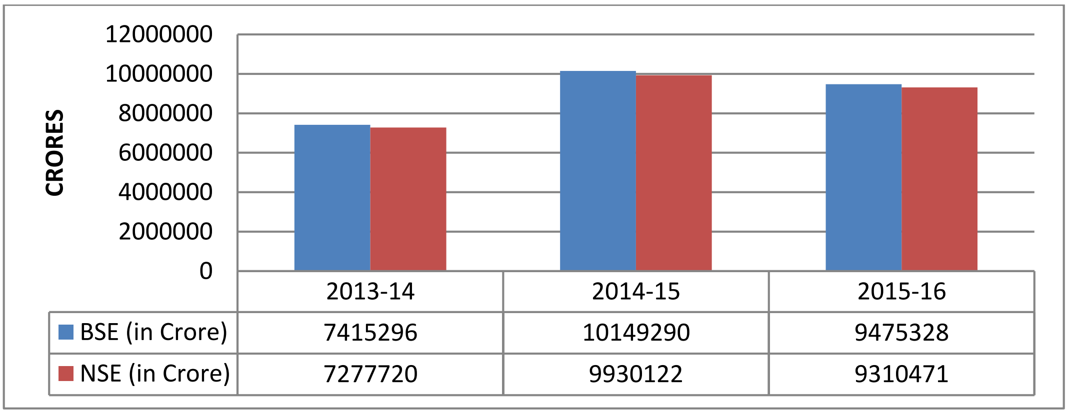

Figure-4: Market capitalization in India - BSE & NSE
Source: SEBI and CMSA report

Interpretation: The study reveals that during FY 2015-16 the market capitalization in India and Tanzania had decreased. The market capitalization at BSE declined by 6.6 per cent to 94, 75,328 crore in 2015-16 from 1, 01, 49,290 crore in 2014-15. On the other hand, at NSE market capitalization decreased by 6.2 per cent to RS. 93, 10,471 crore in 2015-16 from Rs.99, 30,122 crore in 2014-15.

Table -10: Showing market capitalizations in Tanzania

YEAR	TANANIA DSE(in billions)
2013-14	18.91
2014-15	23.87
2015-16	21.728

Source: DSE

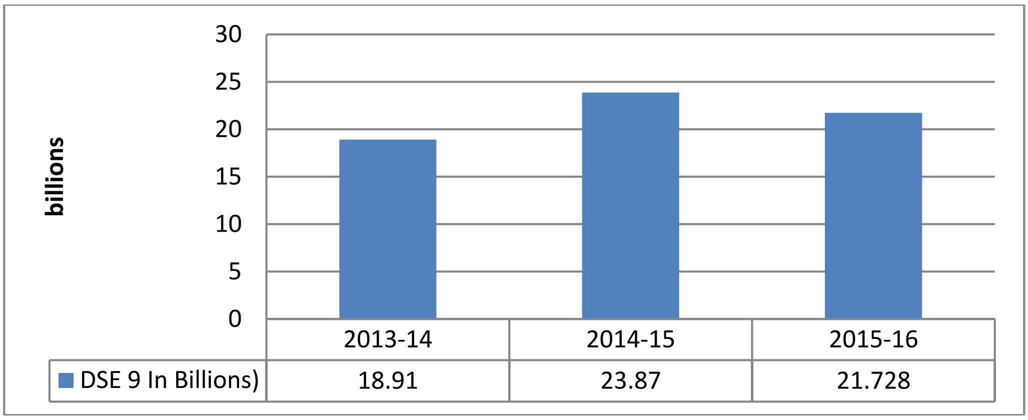

Figure-5: Showing market capitalization at DSE (in Billions)

Source: CMSA

Interpretation: In Tanzania total market capitalization experienced a decrease of 4.46 percent during the FY 2016 to close at TZS 21,728.57 billion. The decline in market capitalization resulted from the depreciation of prices of the majority of listed companies. The increase in total market capitalization in the FY 2014-15 was attributed to a large extent by appreciation of share prices following the capital account liberalization and the listing of new companies on the Exchange.

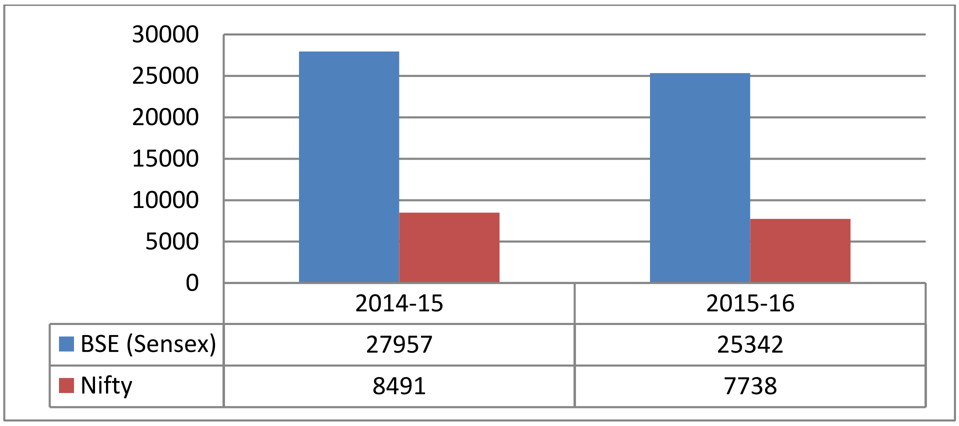

Figure-6 : Showing major stock indices at BSE, NSE & DSE

Source: Survey Data

Interpretation: From the above chart the study shows that during the FY 2015-16 the benchmark indices S&P BSE Sensex (henceforth referred to as Sensex) and Nifty 50 (henceforth referred to as Nifty) decreased by 9.4 and 8.9 per cent respectively over March 31, 2015. The Sensex closed at 25,342 on March31, 2016, registering a decrease of 2,616 points over 27,957 as on March 31, 2015. The Nifty decreased by 753 points to close at 7,738 on March 31, 2016 over 8,491 at the end of March 31, 2015.

In Tanzania, the All Share Index closed the FY at 2,481.99, which was a 9 percent decrease as compared to the previous year. On 30th June 2016, Tanzania Share Index (TSI) stood at

3,706.15, exhibiting a 21 percent decrease as compared to the corresponding value registered at 30th June 2015.

OBJECTIVE -3: ***To identify the kind of securities traded in both markets.***

Table-11: showing common securities traded in both market

INDIA	TANZANIA
1. Shares. ▪ Equity shares. ▪ Preference shares. **2. Debentures/ Bonds.** ▪ Partly convertible debentures ▪ Fully convertible debentures ▪ Warrants. ▪ Bonds **3. Unit of mutual funds** **4. Derivatives.** ▪ Forwards ▪ Options ▪ Swaps	**1. Shares.** ▪ Equity shares. ▪ Preference shares. **2. Debentures and Bonds.** ▪ Corporate bonds ▪ Treasury bonds **3. Unit trust schemes**

Interpretation: From the study we are able to identify that there are seemingly visible changes in the kinds of financial securities traded in the Indian Capital Market and the Tanzanian Capital Market. Shares, debentures, bonds and units, mutual funds are common financial instruments that can be purchased or sold in both countries. However, in Tanzania there is no Derivatives market.

OBJECTIVE- 4: ***To measure The Foreign Direct Investment and number of Foreign and Domestic companies.***

Table-12: Showing foreign portfolio investment (India)

Year	**Gross purchase in crore**	**Gross sale in crore**
2013-14	10,21,010	9,69,361
2014-15	15,21,346	12,43,886
2015-16	13,24,418	13,42,593

Source: SEBI reports

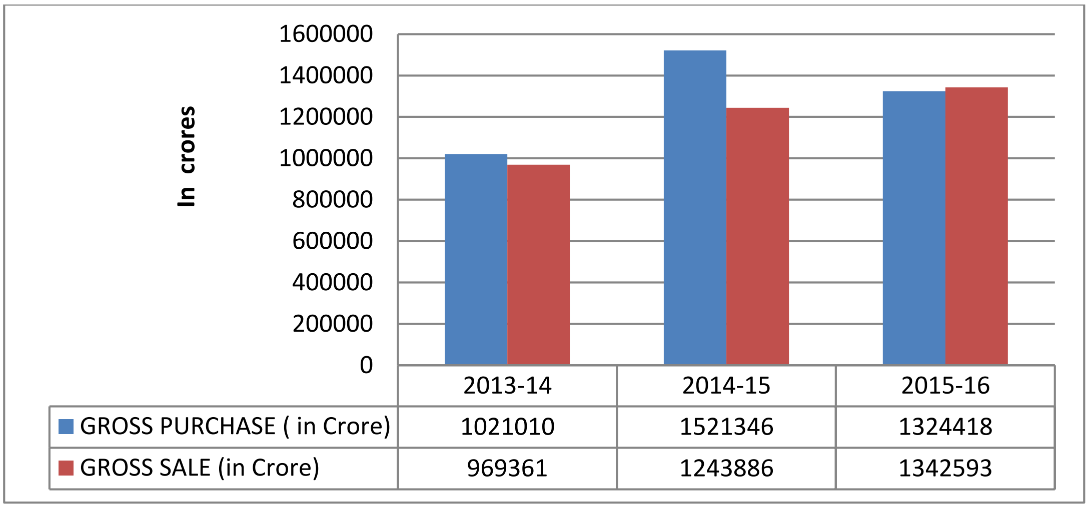

Figure -7: Showing foreign portfolio investment (FPI) in India

Source: SEBI reports

Interpretation: During FY 2015-16, FPI investments in India saw a great decline as compared to the previous years with the net investments showing negative score. India witnessed negative FPI net investments of Rs. 18,175 crore during FY 2015- 16 as compared to positive net investments of Rs.2,77,460 crore in FY 2014-15 The combined gross purchases of debt and equity by FPIs decreased by 14.9 per cent to Rs. 13,24,418 crore in 2015-16 from Rs.15,21,346 crore in FY 2014-15. The combined gross sales by FPIs increased by 7.4 per cent to Rs. 13,42,593 crore in financial 2015-16 from Rs. 12,43,886 crore during the previous year.

However, data regarding Foreign Direct Investment in Tanzania was not available and hence a comparison between the FDI individually between the two countries could not be done.

4. FINDINGS:

1. Both the countries (India-SEBI and Tanzania-CMSA) have independent regulatory authorities which regulate and control capital and securities markets under competent rules and regulations pertaining to the respective country.
2. Both SEBI and CMSA authorities have a common objective of promoting and facilitating the development of an orderly, fair and efficient capital market and securities Sector.
3. Management Board of SEBI is smaller when compared to the management board of CMSA. In term of number of members, the Board of SEBI consists of 8 members whereas the Board of CMSA consists of 10 members.
4. Both SEBI and CMSA emphasize the importance of principles of good corporate governance. All listed companies are bound to these principles in their business operations.
5. In India, there are many recognized stock exchanges when compared to Tanzania which has only one stock exchange. However out of the 23 recognized stock exchanges in India only the NSE (National Stock Exchange) and BSE (Bombay Stock Exchange) are effective stock exchanges in India.
6. From the FY 2014 to 2016 the number of listed companies in India has increased at a rate of 4.8% each year whereas the rate of listed companies in Tanzania was 62% in the year 2016 and the number was constant in the FY 2014 and 2015 respectively.
7. There was a decrease in turnover rate in both countries during the FY 2015-16 as observed through the data collected during the study. In India turnover of all stock exchanges in the cash segment decreased by 4.0 per cent for the FY 2014-15. At BSE

and NSE, the turnover decreased by 13.4 and 2.1% respectively in 2015-16 over the previous FY, whereas the Dar es Salaam Stock Exchange (DSE) posted a market turnover of TZS 726.09 billion, down by 18% from TZS 880.25 billion registered in the previous FY.

8. In both countries the market capitalization was found to have decreased during the FY 2015-16. The market capitalization at BSE declined by 6.6 per cent to Rs.94,75,328 crore in 2015-16 and from Rs.1,01, 49,290 crore in 2014-15. On the other hand, at NSE market capitalization decreased by 6.2 per cent to Rs.93, 10,471 crore in 2015-16 and from Rs.99, 30,122 crore in 2014-15. Whereas in Tanzania the total market capitalization experienced a decrease of 4.46 percent during the year 2016 to close at TZS 21,728.57 billion. Meanwhile, domestic market capitalization decreased significantly to TZS 7,912.10 billion at the end of June 2016 from TZS 10,235.93 billion recorded at the end of the previous year
9. It was observed during the study that there was a decrease in major stock indices in the FY 2015-16, in both countries. S&P, BSE Sensex and Nifty 50 decreased by 9.4 and 8.9 per cent respectively over March 31, 2015 whereas in 30th June 2016, Tanzania Share Index (TSI) stood at 3,706.15, exhibiting a 21 percent decrease as compared to the corresponding value registered at 30th June 2015. This could be due to the slight recession that was observed during that period, worldwide.
10. Derivative instruments like swaps, options and futures are available only in India stock market but are not traded at the Tanzanian stock market (DSE). However, other financial instruments like shares, bonds, debentures and units of Mutual funds are traded in both markets.
11. The annual report prepared and uploaded by SEBI provides more reliable and important information when compared to the CMSA report. Some information relating to review of the general macro-economic environment and the investment climate, review of policies and programmes, information relating to foreign portfolio investment, trends in annualized volatility of international stock market indices and trading frequency of listed stocks are not available in CMSA report which actually can show a fair review of the functions of that market

4.1 Suggestions

The following are suggestions made through the study:

- CMSA should introduce derivative instruments which can be used to reduce financial risk for investors by bringing about more transparency.
- CMSA should include other important information such status of foreign portfolio investment in its annual report.
- CMSA should also enforce corporate governance principles which incorporate corporate social corporate responsibility (CSR), like in India, which presently has not been made mandatory in Tanzania.
- In India, SEBI should pay proper attention to implementation of rules and regulations for establishing stock exchanges because, as per the observations made, many of the stock exchanges are not performing very well.
- CMSA should disclose complete financial information and macroeconomic information of related stocks of companies listed. This in turn will lead to increase of awareness among the public on importance of investing in stocks and also build trust among the investors.

5. CONCLUSION

This report shows that Tanzania stock market is small when compared to Indian Capital Market in terms of number of securities traded, market capitalization, number of stock exchanges and even activities performed in those markets, but both capital markets play an important role of protecting investors interest and in promoting and facilitating the development of an orderly, fair and efficient capital market and securities industry in the respective countries. Indeed, both capital markets have been assisting individual investors and companies to raise fund for financing business operations and expansion of business projects which are essential for economic growth and development, as they deal with substantial resource mobilization over long time horizons. It is a job for Indian and Tanzanian policy makers to set policies with objectives of increasing public awareness, improve information technology, improve electronic automation system for trading of securities especially in Tanzania, with better regulatory enforcement in order to improve stock market efficiency. The FYs in both countries are different. *The FY in India starts from 1st April and ends on 31st March, while in Tanzania, the FY commences from 1st July and ends on 30th June.*

***At the time of this study, the exchange rate was 1 INR = 34 TZS.**

REFERENCES

1. Bharti, D. S. Rawat & Ramola, Gupta (2010), *Indian Capital Growth with Governance*, paper released by PricewaterhouseCoopers and ASSOCHAM. Retrieved from www.pwn.in.
2. Capital Markets and Securities Authority (CMSA). Available at www.cmsa.go.tz
3. Dar es Salaam Stock Exchange (DSE). Available at www.dse.co.tz
4. Dr. Ravichandra, K (2012), *A study on Investors Preferences Towards Various Investment Avenues in Capital Market with special reference to Derivatives,* Journal of Contemporary Research in Management. Retrieved www.psgim.ac.in
5. Dr. Norman, A.S. (2012). *The usefulness of financial information in capital markets investment decision making in Tanzania*, International journal for marketing and technology, vol. 2, Issue 8. ISSN: 2249-1058.
6. Felician, Mombo Gillian (2014). *Efficiency of Capital Market, a case study on Dar-as-salaam Stock exchange and the impact it has on investors*. Retrieved from www.usiu.ac.ke
7. Gupta, Nupur & Dr. Agarwal, Vijay (2011), *Comparative Study of Distribution of Indian Stock Market with other Asian Markets***,** International Journal of Enterprise Computing and Business. ISSN (Online): 2230—8849 Vol. 1. Retrieved from www.ijecbs.com.
8. Gupta, Richa (2014), *Indian Capital Market: An overview*. International Journal of Emerging Research in Management and Technology. Vol. 3. ISSN 2278 9359. Retrieved from www.ermt.net
9. Joshi, Prashant (2011). *Market Integration and Efficiency of Indian Stock Markets,* A Study of National Stock Exchange Research Paper. Retrieved from www.research gate.net
10. Kapinga,Kamanga W. (2013). *The International Market Review*. Third Edition Pg. 344-351.
11. Malhotra, Gunjan (2015) *"Indian Capital Market: Growth, Challenges and Future"*. Annual Conference January. Retrieved from www.internationalconference.in
12. Marie-Nelly, Francoise, & Alawode, Abayomi A (2002), *Capital Market Integration in the East African Community*". World Bank, Africa Region, Financial Sector Division. December 2002.

13. Massele, Jared, Darroux, Casius, Henry, Jonatha &, Xu, Fengju (2013). *Challenges faced by Dar-es-Salaam Stock Exchange Market in Tanzania*. Research Journal of Finance and Accounting. ISSN 2222-1697(paper) ISSN 2222-2847. Vol. 4.No 15.2013. Retrieved fromwww.iistc.org.
14. Mumbai Stock Exchange. Available at www.bseindian.com
15. Murinde,Victor (2006), *Capital Market in Africa : Role and Challenges*. University of Birmingham. Retrieved from**:** www.siteresurces.worldbank.org.
16. Mwakalobo, Bwigane Hessron (2013). *The Impact of Financial Sector in the Economic Growth of Tanzania.* KDI School of Public Policy and Management. Retrieved from: www.archives.kdischool.ac.kr.
17. Narayan Kar, Rabi (2013). *Indian Capital Market and Regulatory Framework: Background, Performance and Emerging Issues*. Retrieved from www.icsi.edu**.**
18. National Stock Exchange India. Available at www.nseindia.com
19. P, Mohanamani & Dr. T, Sivagnanasithi (2013). *The Impact of Foreign Institutional Investors in The Capital Market".* Journal of Contemporary Research in Management. Retrieved from www.psgim.ac.in.
20. Securities Exchange Board of India.(SEBI) . Available at www.sebi.gov.in
21. Sen,Pronab. Bahel, Nikhil & Shikhar, Ranjan (2003). *Developing the Indian Debt Capital Markets: Small Investor Perspectives*. Retrieved from www.planning commission.nic.in.
22. Shallu (2014). *Indian Capital Market and the Impact of SEBI*. Tactful Management Research Journal, Vol. 2, Issue 4, Jan 2014. ISSN: 2319-7943.
23. Torres, Romero, Wells, Stephen& Selwyn-Khan, Susan (2013). *Development of Capital Markets in Member Countries of the South Asian Association for Regional Cooperation, Mandaluyong City, Philippines*. Asian Development Bank. Retrieved from www.asiandevelopmentbank.org
24. Wyman, Oliver (2016). *Accelerating Capital Markets Development in Emerging Economies*. White paper, world economic forum, retrieved from www.weforum.org
25. Ziorklui, Sam Q (2011). Capital *Market Development and Growth in Sub-Saharan Africa.* The Case of Tanzania African Economic Policy, Discussion Paper Number 79, February 2011.